### Garfield County Industrial Authority, Inc.

(a Component Unit of Garfield County, Oklahoma) Enid, Oklahoma

## REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

For the Years Ended June 30, 2013 and 2012

### SAUNDERS & ASSOCIATES, PLLC

Certified Public Accountants

630 East 17th Street
P. O. Box 1406
Ada, Oklahoma 74820
(580) 332-8548
FAX: (580) 332-2272

Website: www.saunderscpas.com

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June 30, 2013

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### Saunders & Associates, PLLC

Certified Public Accountants

630 East 17<sup>th</sup> Street \* P. O. Box 1406 \* Ada, Oklahoma 74820 \* (580) 332-8548 \* FAX: (580) 332-2272 Website: www.saunderscpas.com

### INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Garfield County Industrial Authority

We have audited the accompanying financial statements of the Garfield County Industrial Authority, a component unit of Garfield County, Oklahoma, which comprise the statement of net position as of and for the years ended June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in fund net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Garfield County Industrial Authority, a component unit of Garfield County, Oklahoma's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements:

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Garfield County Industrial Authority, a component unit of Garfield County, Oklahoma, as of June 30, 2013, and June 30, 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2013 on our consideration of the Garfield County Industrial Authority, a component unit of Garfield County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Garfield County Industrial Authority, a component unit of Garfield County, Oklahoma, a component unit of Garfield County, Oklahoma's internal control over financial reporting and compliance.

Saunders & Associates, PLCC SAUNDERS & ASSOCIATES, PLLC

Certified Public Accountants

September 24, 2013

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

### **UNAUDITED**

Garfield County Industrial Authority's (the Authority) discussion and analysis is designed to provide an objective and easy to read analysis of the Authority's financial activities for the years ended June 30, 2013 and 2012. The information presented is based on currently known facts, decisions, and conditions. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position (its ability to address the next and subsequent year's challenges), and identify issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of the report, including the notes that are provided in addition to the MD&A.

### FINANCIAL HIGHLIGHTS

- The Authority entered into a 3-year lease agreement with Global Pipeline Construction, LLC (Global) wherein Global agreed to pay \$2,000 per month to lease a 20 acre tract of land.
- As a result of the lease agreement with Global, the Authority experienced an increase in net position of \$11,617 this year, compared to a decrease in net position of \$6,436 in the prior year.
- General and administrative expenses reported exceeded the prior year by \$5,956. This increase is
  due to crop damages and other costs related to the lease. Expenses in the amount of \$6,097 were
  reimbursed to the Authority by Global.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position (pages 7 and 8) provide information about the Authority's activities and include all assets and liabilities of the Authority.

These two statements report the Authority's net position and changes in it. You can think of the Authority's net position – the difference between assets and liabilities – as one way to measure the Authority's financial health. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating.

### THE AUTHORITY'S FUNDS

Proprietary Fund Financial Statements – Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for the Authority's proprietary fund.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

#### **UNAUDITED**

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent), are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating Expenses are those expenses that are essential to the primary operation of the fund. All other expenses are reported as non-operating expenses.

### **NET POSITION**

The Authority's net position increased from \$413,447 to \$425,064. (See Table 1)

### TABLE 1 - NET POSITION

	Business-Type Activities			
	Current Year	Prior Year	<u>Change</u>	%Change
Current and other assets Capital assets Total Assets	\$ 47,177,272	\$ 47,169,748	\$ 7,524	0.02%
	<u>255,744</u>	<u>255,744</u>	0	0.00%
	<u>47,433,016</u>	47,425,492	7,524	0.02%
Long-term liabilities	47,000,000	47,000,000	0	0.00%
Other liabilities	<u>7,952</u>	12,045	( <u>4,093</u> )	-33.98%
Total Liabilities	47,007,952	47,012,045	( <u>4,093</u> )	-0.01%
Net Position: Net Investment in Capital Assets Unrestricted Total Net Position	255,744	255,744	0	0.00%
	169,320	157,703	<u>11,617</u>	7.37%
	\$425,064	\$ 413,447	\$ <u>11,617</u>	2.81%

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

### UNAUDITED

### **CHANGES IN NET POSITION**

The Authority's operating revenues increased by 8.12% (\$14,125). The total costs increased .84% (\$1,517). Total non-operating revenue/(expense) increased \$5,445.

### TABLE 2 - CHANGES IN NET POSITION

	Current Year	Prior Year	<u>Change</u>	% Change
Operating Revenues:				
Administrative Fees Interest on Bonds	\$ 29,375	\$ 29,375	\$ 0	0.00%
Lease Revenue	136,961 15,667	141,400 3,200	( 4,439) 12,467	-3.14% 389.59%
Other	6,097	0,200	6,097	6097.00%
Total Revenues	188,100	173,975	14,125	8.12%
Operating Expenses:				
Interest on Bonds	136,961	141,400	( 4,439)	-3.14%
General and Administrative	14,961	9,005	5,956	66.14%
Economic Development	30,000	30,000	0	0.00%
Total Expenses	181,922	<u> 180,405</u>	1,517	.84%
Operating Income (Loss)	6,178	( 6,430)	12,608	196.08%
Non-Operating Revenues (Expenses):				
Investment Income	4,605	1,767	2,838	160.61%
Realized Gains (Losses)	1,518	712	806	113.20%
Unrealized Gains (Losses)	( 684)	<u>( 2,485</u> )	<u> 1,801</u>	72.47%
Total Non-Operating Revenue (Expenses)	<u>5,439</u>	<u>( 6</u> )	<u>5,433</u>	905.5%
Change in Net Position	\$ <u>11,617</u>	\$ <u>( 6.436</u> )	\$ <u>18,053</u>	280.50%

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013 and 2012

### UNAUDITED

### CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 30, 2013, the Authority had \$255,744 invested in capital assets, which consisted of land.

	Business Type	e Activities
	2013	2012
Property	255,744	255,744
Total	\$ <u>255,744</u>	\$ <u>255,744</u>

There were no major additions in the current fiscal year.

Additional information about the Authority's capital assets is presented in Note 1 of the financial statements.

### Debt

At year-end, the Authority had \$47,000,000 outstanding in revenue refunding bonds. All principal on these bonds is due January 1, 2025. Detailed information related to these bonds is included in Note 6 to the financial statements.

### **ECONOMIC FACTORS**

Management is in the process of finalizing sales agreements for certain parcels of real property owned by the Authority. It is anticipated that these agreements will be finalized in the upcoming year. Management will continue in its efforts to promote economic development in and around the Garfield County area.

### CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide readers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Jerry Schmidt, Chairman of the Trust, at P.O. Box 1272, Enid, OK 73702.

FINANCIAL STATEMENTS

## STATEMENT OF NET POSITION Proprietary Funds

June 30, 2013 and 2012

		2013	2012
		Economic	Economic
		Development	Development
ASSETS	_		
Cash and Cash Equivalents	\$	,	\$ 63,570
Investments		144,605	94,133
Accounts Receivable		3,200	0
Accrued Interest Receivable		7,752	12,045
Notes Receivable		47,000,000	47,000,000
Property Held for Resale		255,744	255,744
TOTAL ASSETS	_	47,433,016	47,425,492
LIABILITIES AND NET POSITION			
Liabilities:			
Accounts Payable		200	0
Accrued Interest Payable		7,752	12,045
Revenue Bonds Payable		47,000,000	47,000,000
	•		
TOTAL LIABILITIES		47,007,952	47,012,045
	•		
NET POSITION			
Net Investment in Capital Assets		255,744	255,744
Unrestricted		169,320	157,703
	•		,. 30
TOTAL NET POSITION	\$	425,064	\$ 413,447
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<sup>\*</sup> The accompanying notes are an integral part of the financial statements.

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION Proprietary Funds

For the Years Ended June 30, 2013 and 2012

		2013 Economic Development	2012 Economic Development
OPERATING REVENUES			
Interest From Bonds		\$ 136,961	141,400
Administrative Fees	**	29,375	29,375
Lease Revenue		15,667	3,200
Reimbursements - Global Pipeline		6,097	0
Total Operating Revenues		188,100	173,975
OPERATING EXPENSES			
Interest Expense - Revenue Bonds		136,961	141,400
General and Administrative		14,961	9,005
Economic Development		30,000	30,000
Total Operating Expenses		181,922	180,405
Total Operating Expenses		101,922	100,400
Operating Income (Loss)		6,178	(6,430)
NON-OPERATING REVENUES (EXPENSES)			
Investment Income		4,605	1,767
Realized Gain (Loss) on Investments		1,518	712
Unrealized Gain (Loss) on Investments		(684)	(2,485)
Total Non-Operating Revenue (Expenses)		5,439	(6)
Change in Net Position		11,617	(6,436)
Net Position, Beginning of Year		413,447	419,883
Net Position, End of Year		\$ 425,064	\$ 413,447

The accompanying notes are an integral part of the financial statements.

## STATEMENT OF CASH FLOWS Proprietary Funds

For the Years Ended June 30, 2013 and 2012

	2013 Economic Development	_ [	2012 Economic Development
Cash Flows From Operating Activities Cash From Customers Cash Paid to Suppliers Cash Paid to Enid Regional Development Authority Investment Income	\$ 47,939 (14,761) (30,000) 4,605	\$	61,950 (9,255) (30,000) 1,767
Net Cash Provided (Used) by Operating Activities	7,783	_	24,462
Cash Flows From Capital and Related Financing Activities Interest Paid on Bonds	(141,254)		(142,064)
Net Cash Provided (Used) by Capital and Related Activities	(141,254)	_	(142,064)
Cash Flows From Investing Activities Purchase of Investments Proceeds From the Sale of Investments Interest Received on Bonds	(145,290) 95,652 141,254		(1,726) 30,000 142,064
Net Cash Provided (Used) by Investing Activities	91,616	_	170,338
Change in Cash	(41,855)		52,736
Cash at Beginning of Year	63,570		10,834
CASH AT END OF YEAR	\$ 21,715	\$_	63,570
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities: Change in Net Position	\$ 11,617	\$	(6,436)
Adjustments to Reconcile Change in Net Position to Net Cash Provided (Used) by Operating Activities:			
Increase (Decrease) in Accounts Receivable (Increase) Decrease in Accounts Payable	(3,200)		29,375
Realized (Gain)/Loss on Sale of Investments	200 (1,518)		(2 <b>5</b> 0) (712)
Unrealized (Gain)/Loss on Investments	684	_	2,485
Net Cash Provided (Used) by Operating Activities	\$ 7,783	\$	24,462

<sup>\*</sup> The accompanying notes are an integral part of the financial statements.

### NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Garfield County Industrial Authority (the Authority), a component unit of Garfield County, Oklahoma was created as a public trust under applicable Oklahoma statutes on April 29, 1969, with Garfield County, Oklahoma named as the beneficiary thereof.

The Authority provides capital financing to industrial concerns located in and around the county of Garfield, Oklahoma for the purpose of purchasing or constructing facilities.

Capital for these activities is obtained through the issuance of bonds and by arranging additional financing through third party creditors. Bonds issued, and other capital raised, are collateralized by the assets acquired or constructed with the proceeds of such issues.

<u>Proprietary Funds</u> – The Authority operates as a proprietary fund and measurement is upon determination of operating income and changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

<u>Fund Accounting</u> – In order to insure observance of restrictions placed on the use of resources available to the Authority, the accounts of the Authority are maintained in accordance with the principles of fund accounting. The assets, liabilities, fund equity, revenues and expenses of the Authority are accounted for in two self-balancing funds which are combined for financial reporting purposes as follows:

Operating Fund includes unrestricted resources available for the support of the Authority's operations.

Bond and Debt Service Fund accumulates funds for the retirement of debt owed by the Authority.

Proprietary Fund Net Position - Proprietary fund net position is divided into three components:

- Net investment in capital assets consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position consist of assets that are restricted by the Authority's creditors (for example, through debt covenants), by state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted all other net position is reported in this category.

Basis of Accounting – The Authority consists of proprietary type (enterprise) funds and uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred.

<u>Property Held for Resale</u> – Property held for resale is stated at the lower of cost or estimated net receivable value. The Authority purchased land to resale to prospective businesses in an effort to stimulate and enhance the economic growth and development of the County of Garfield, Oklahoma.

### NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

<u>Investments</u> – Investments are carried at fair value. Investment income, gains and losses are reflected in the statement of revenues, expenses and changes in fund net assets.

The Authority includes investment income, realized gains and losses and unrealized gains and losses in non-operating income and expenses

<u>Use of Estimates</u> – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

<u>Use of Restricted Resources</u> – When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Authority's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

### NOTE 2: CASH AND CASH EQUIVALENTS

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2013 and 2012, all of the Authority's deposits, which had a bank and carrying value of \$21,715 and \$63,570 respectively, were held in the trust department at a local bank. These deposits were in the form of money market funds.

### NOTE 3: INVESTMENTS

The Authority's investment policy permits investment of funds in the following investments and investment conduits upon approval of two-thirds (2/3) of the Board of Trustees:

- 1. U. S. Treasury Obligations
- 2. Equities listed on the NYSE, AMEX, and NASDAQ
- 3. Mutual Funds rated 3 stars and above by Morningstar Rating Service and reviewed annually
- 4. Money Managers meeting certain specified qualification standards set by the Authority

The Authority's Budget/Investment Committee or Advisor are not currently authorized to purchase individual stocks outside a Mutual Fund or Money Manager.

<u>Custodial Credit Risk</u> – Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Authority manages custodial risk by only investing funds with well known, reputable financial institutions and limiting investments in any single financial institution to amounts which are covered by FDIC insurance, where applicable.

### NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

### NOTE 3: INVESTMENTS, CONTINUED

<u>Interest Rate Risk</u> – The Authority manages its exposure to declines in fair value by diversifying its investments to include a variety of debt and equity securities which are managed by an experienced financial manager.

<u>Concentrations</u> – It is the Authority's policy to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity.

At June 30, the Authority had the following investments:

			<u> 2013</u>	<u>2012</u>
Certificate of Deposit	1		\$ 50,000	\$ 0
Mutual Funds			25,795	56,111
Bond Funds			68,810	38,022
Total			\$ <u> 144,605</u>	\$ <u>94,133</u>

Realized Gains and Losses – During 2013 and 2012, the Authority realized a net gain of \$1,518 and \$712 respectively, from the sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net increase (decrease) in the fair value of investments during 2013 was \$(684), and equaled \$6,267 in 2012. This amount takes into account all changes in fair value (including purchases and sales) that occurred since acquisition of the investments. The unrealized loss on investments for the year 2013 was \$(684) while the Authority reported an unrealized loss of \$(2,485) in 2012.

### NOTE 4: NOTES RECEIVABLE

Notes in the amount of \$47,000,000 are receivable from OG&E in consideration of the lease agreement between the Authority and OG&E, dated January 15, 1995. See Note 6.

### NOTE 5: FAIR VALUE MEASUREMENTS

The Authority has adopted provisions of FASB ASC 820-10 (formerly Statement of Financial Accounting Standards No. 157, Fair Value Measurements), which provides a framework for measuring fair value under GAAP. FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. FASB ASC 820-10 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

### NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

### NOTE 5: FAIR VALUE MEASUREMENTS, CONTINUED

This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs are unobservable inputs and have the lowest priority. The Authority uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Authority measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 and Level 2 inputs were not available.

Assets itemized below were measured at fair value during the years ended June 30, 2013 and 2012 using the market approach. The market approach was used for Level 1 assets. No Level 2 or Level 3 assets were used by the Authority.

Fair value measurements at reporting date using:

June 30, 2013	<u>Fa</u>	air Value	Markets	rices in Active for Identical s (Level 1)
Mutual Funds Bond Funds Total	\$ 	25,795 68,810 144,605	\$  \$	25,795 68,810 144,605
		•	Quoted P	rices in Active
			Markets	for Identical
	<u>Fa</u>	<u>air Value</u>	Asset	s (Level 1)
<u>June 30, 2012</u>				· ·
Mutual Funds	\$	56,111	\$	56,111
Bond Funds	<u> </u>	38,022	·	38,022
Total	\$	<u>94,133</u>	\$	<u>94,133</u>

<u>Level 1 Fair Value Measurements</u> – The fair values of mutual funds and bond funds are available based on quoted market prices, when available.

Gains and losses (realized and unrealized) included in net income for the year ended June 30, 2013 and 2012 are reported in the fair value of investments.

### NOTE 6: REVENUE REFUNDING BONDS

On December 6, 1977, the Authority issued and sold the 1977 Series A Pollution Control Revenue Bonds for \$47,000,000 for the purpose of paying the cost of constructing, acquiring and installing certain pollution control facilities for use by OG&E in connection with the Sooner Generating Station. The 1995 Series A Revenue Refunding bonds were issued to provide a means of refinancing the prior bonds.

### NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

### NOTE 6: REVENUE REFUNDING BONDS, CONTINUED.

On January 15, 1995, the Authority and OG&E entered into a Leasehold Purchase Contract where the Authority purchased a leasehold interest in the facility. The purchase price being the proceeds and earnings on the outstanding bonds. The Authority and OG&E then entered into a capital lease contract where OG&E leased the facility from the Authority for rental payments sufficient to pay the principal and interest on the outstanding bonds. OG&E also guaranteed the payoff of the outstanding bonds at maturity. The 1995 OG&E revenue refunding bonds are at a variable rate with interest due monthly and remaining interest and principal due at January 1, 2025. Details of the bonds are as follows:

		Bonds Payable					
Year Ended:		Beginning <u>Balance</u>	Bonds Issued	Bonds <u>Paid</u>	Ending Balance		
2013		\$ <u>47,000,000</u>	\$ <u> </u>	\$0	\$ <u>47,000,000</u>		
2012		\$ <u>47,000,000</u>	\$ <u> </u>	\$ <u> </u>	\$ <u>47,000,000</u>		

Aggregate annual maturities of long-term debt at June 30, 2013 are as follows:

Maturity		<u>Amount</u>
2013		\$0
2014		0
2015		0
2016		0
2017		0
Thereafter		47,000,000
Total		\$ 47,000,000

### NOTE 7: SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the Authority entered into an agreement to sell approximately 25 acres of the real property previously described in Note 1. Total sale price for the 25 acres was \$150,000.

Management of the Authority has evaluated subsequent events through September 24, 2013, which is the date the financial statements were available to be issued.

## Saunders & Associates, PLLC

Certified Public Accountants

630 East 17<sup>th</sup> Street \* P. O. Box 1406 \* Ada, Oklahoma 74820 \* (580) 332-8548 \* FAX: (580) 332-2272 Website: www.saunderscpas.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Garfield County Industrial Authority

We have audited the financial statements of the business-type activities, and each major fund of Garfield County Industrial Authority, a component unit of Garfield County, Oklahoma, as of and for the years ended June 30, 2013 and 2012, which comprise Garfield County Industrial Authority, a component unit of Garfield County, Oklahoma's basic financial statements and have issued our report thereon dated September 24, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Garfield County Industrial Authority, a component unit of Garfield County, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Garfield County Industrial Authority, a component unit of Garfield County. Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Garfield County Industrial Authority, a component unit of Garfield County, Oklahoma's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garfield County Industrial Authority, a component unit of Garfield County, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance with applicable provisions of laws, regulations, contracts, and grant agreements and the results of our testing, and to provide an opinion on Garfield County Industrial Authority, a component unit of Garfield County, Oklahoma's compliance but not to provide an opinion on the effectiveness of Garfield County Industrial Authority, a component unit of Garfield County, Oklahoma's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Garfield County Industrial Authority, a component unit of Garfield County, Oklahoma's compliance and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Saunder & Cerroites, PLCC SAUNDERS & ASSOCIATES, PLLC

Certified Public Accountants

September 24, 2013

### STATUS OF PRIOR AUDIT FINDINGS

June 30, 2013

None reported.

### SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2013

None reported.